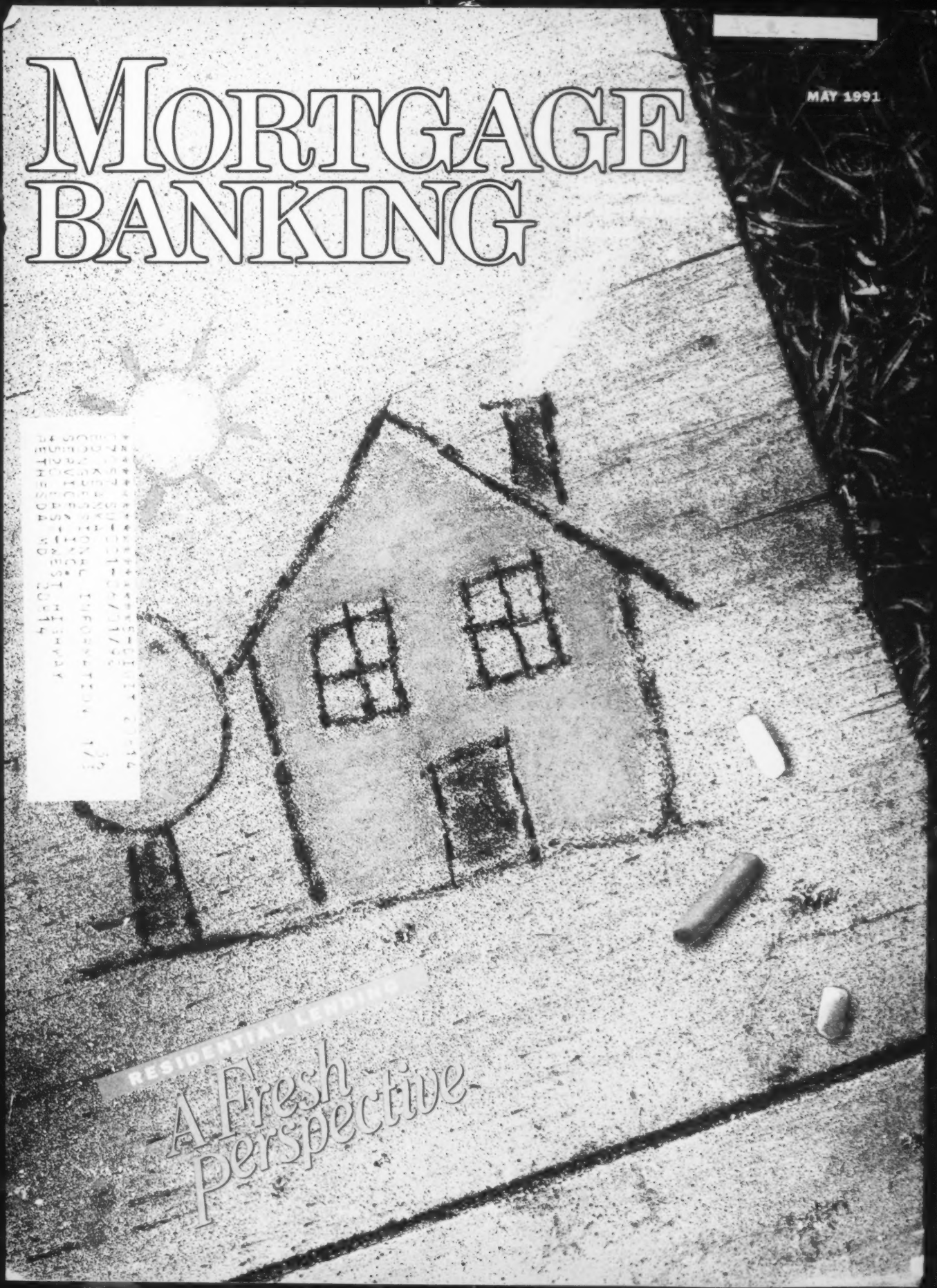
MORTGAGE BANKING

MAY 1991



RESIDENTIAL LENDING

A Fresh Perspective

CONTENTS

MAY 1991 VOLUME 51 NUMBER 8

COVER:

Residential Lending

Some new approaches are sprouting up in the field of residential lending. In some instances, lenders are being very creative in the design of new mortgage products. In other areas, mortgage lenders are being resourceful in finding new sources of money to run their companies. Then, on top of that, there are newcomers to the block, like the RTC, who have changed the whole feel of the business. But the mission remains straightforward and simple—putting people in houses.

10 A New Venture *Venture capital discovered mortgage banking in 1990. As a result, American Residential Mortgage Corporation found new life as an independent.* By JANET REILLEY HEWITT

21 Under New Management *When a parent thrift gets tied up in RTC receivership, its subsidiaries get roped in as well.* By HOWARD SCHNEIDER

26 A Loan with a Twist *Although some borrowers prefer plain vanilla, others want a variety of loan flavors to choose from. Here's the scoop on a new residential product that's made for customers with many tastes.* By PETE EIMER

35 Building Business *Through strategic planning, commercial banks can use their full-scale mortgage lending department as a profitable means to cross-sell products and help meet community reinvestment obligations.* By RICHARD M. HIXON

Secondary Marketing

41 The Downgrade Environment *The pace of rating downgrades picked up significantly during this year's first quarter. Private MBS issuers are plotting ways to preserve top ratings in the face of their credit enhancers' troubles.* By HOWARD ESAKI

Internal Management

45 An Inside Job *Employee malfeasance is the form of fraud most likely to escape detection, yet it accounts for the largest losses. This article presents many control measures for lenders to reduce employees' temptations.* By CRAIG WOLFE

55 Calculating Risks *Lenders who survive and prosper today will probably be those who get assistance from sophisticated management tools designed to help price loans and manage risks effectively.* By HUNTER W. WOLCOTT

Affiliated Industries

63 Appraising The Profession *A new prescription is needed in the appraisal industry to cope with cyclical market behavior and the increasing sophistication of real estate market participants.* By VERNON MARTIN III

DEPARTMENTS

8 Business Alert
9 Boardroom View
71 Executive Essay
72 People
73 Books
75 Secondary Market
77 Economic Trends
78 Vital Statistics
83 MarketPlace
84 Index to Advertisers

COVER ILLUSTRATION BY STEVE McCRACKEN

Chalking Up Some Gains

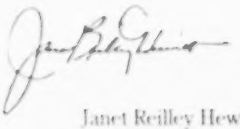
Mortgage bankers have reason to be cheered by the recent strong upturn in the origination market. The news is good on several fronts. Adjustable-rate mortgages have not represented any stiff competition for fixed-rate lenders in a long time.

The Mortgage Bankers Association of America's (MBA) economics department put the ARM market share at about 25 percent earlier this year. By early April, the ARM to fixed-rate mortgage spreads had widened to more than 200 basis points, yet fixed-rate mortgages remained at very attractive levels for consumers. The ARM is not expected to stage a big comeback in the near term.

That is all very rosy news for mortgage bankers. On top of that, the sheer number of thrifts pushing discounted ARMs has dramatically shrunk, which has stifled the fierce price-based competition of past years. Many of the purveyors of that strategy have now been put out to pasture courtesy of the RTC.

But there are many other hopeful signs that spring is here for mortgage bankers and that spring 1991 will be a good one. Solid mortgage banking operations have shown great resiliency in finding warehouse lines in the face of very tight credit conditions. New sources of equity [illegible] are being brought into the industry to buy up the abundance of servicing that has been coming onto the market. New and inventive mortgage products are being designed around ways to help beat the affordability problem and stretch the buying power of new homebuyers.

There are some potential weeds in the garden to spoil some of this good cheer. Refinancings are threatening to shrink some servicing portfolios, and mortgage bankers' market share has not bounded up to the peaks of recent years when fixed rates were at similarly desirable levels. MBA's economics department puts the residential market share of mortgage bankers for last year at only an average of 26 percent. Thrifts have drifted out of the picture increasingly, but banks have come on strong with close to a 40 percent share of home mortgage originations. Perhaps the results for 1991 will show a different story.



Janet Reilley Hewitt
Editor in Chief

COMING IN JUNE

Next month we will spotlight some of the key players and the strategies being followed in the buying and selling of servicing.

MORTGAGE BANKING
THE MAGAZINE OF REAL ESTATE FINANCE
VOLUME 51 NUMBER 8

President
JAMES W. NELSON, CMB

Executive Vice President
WARREN LASKO

Vice President of Communications
JACQUELINE W. GRUMBACHER

Editor in Chief
JANET REILLEY HEWITT

Deputy Editor
DEBORAH S. SCALLY

Assistant Editor
LADONNA HALE CURZON

Art Director
SARAH CLARKE HOLLANDER

Advertising Sales Representatives
JUDITH VALLANO
SOPHIA MINOTT-TALLEY

Advertising Assistant
MILDRED JONES

Circulation
BENNIE MURPHY

Published monthly since 1939 by the Mortgage Bankers Association of America

Business and Editorial Offices
1125 15th Street, N.W.
Washington, D.C. 20005
Editorial (202) 861-6592
Advertising (202) 861-6555
Circulation (202) 861-6992

Mortgage Banking® (ISSN 0027-1241)

Published monthly and Copyright ©1991 by the Mortgage Bankers Association of America. Opinions expressed are those of the authors or the persons quoted and not necessarily those of the Association.

BPA

Subscription rates: $40 per year. $95 for three years or $25 each for ten or more subscriptions mailed to the same addressee. In Canada, $42 per year, foreign $42 per year. Individual copies, $3.40 each.

Second class postage paid at Washington, D.C. and additional mailing offices. Subscription orders should be sent to MBA, Dept. 0021, Washington, D.C. 20073-0021. Letters, manuscripts, change of address and all other correspondence should be sent to *Mortgage Banking*, 1125 15th Street N.W. Washington, D.C. 20005. Six to eight weeks are required for a change of address. Along with a new address send last magazine label.

THE DOWNGRADE ENVIRONMENT

Howard Esaki

Drexel Burnham Lambert failed in 1989. A record number of thrifts and banks failed in 1990. Major U.S. and foreign banks have had their credit ratings downgraded in the past year. How will these stresses to the financial system affect the credit quality of private mortgage-backed securities (MBS)?

Moody's Investors Service believes that although the strains on the financial system may have an adverse impact on selected mortgage pass-throughs, most highly rated private MBS are adequately protected against credit downgrades of affiliated financial institutions.

The pace of rating downgrades picked up significantly during this year's first quarter. Private MBS issuers are plotting ways to preserve top ratings in the face of their credit enhancers' troubles.

Private MBS: third-party risk

Private, residential, whole-loan pass-throughs are complex securities that frequently depend on a variety of external sources of credit support to obtain a high rating from Moody's. External or "third-party" credit support differs fundamentally from internal credit support, because the credit quality of the support may change as the rating of the entity providing support changes. Internal credit support, either in the form of cash or subordinated collateral, has the same value throughout the life of the security.

External support is primarily provided through pool insurance policies, letters of credit, corporate guarantees or surety bonds, all of which are used to protect against credit losses. In addition, external support is often used to cover risks from fraud, special hazard or borrower bankruptcy. A third party is also often involved in a mortgage pass-through transaction as an advancer and/or servicer, or in the role of a trustee.

No "weak-link" approach

When rating a private MBS, Moody's takes into account all the ratings of involved parties, as well as the total amount of credit support available. Moody's goal is that two securities with the same rating have the same expected change in internal rate of return as a result of credit losses. (For more details of this approach, see "Credit Analysis of Structured Securities," Moody's Investors Service, 1991.)

The credit performance of a private MBS depends not only on the performance of the underlying mortgages but also on the conditions and extent to which third parties fulfill their obligations. In determining a rating, Moody's analyzes a wide range of possible economic and legal conditions that would define the amount of cash flow into the structure and assigns a probability to each scenario. The average of these probability-weighted cash flows are then examined to compute an expected loss, and the number derived is compared with expectations for other structured and corporate bond ratings.

Moody's does not use a weak-link approach in rating private mortgage-backed securities. In other words, the rating of a security is not necessarily the lowest rating of the entities supply-

ing credit support. Instead, Moody's looks at both the combined value of all the forms of support and the value of the unsupported collateral. The intrinsic value of the collateral supplements the credit quality of third-party support.

A default of a third party providing some form of credit support does not necessarily mean that a mortgage-backed security will suffer a cash shortfall. Moreover, even if it does, the severity of loss may be small, because investors receive funds from the unsupported collateral. Thus, depending on the quality of the assets and on the correlation of that quality with the fortunes of the third party, the credit quality of a transaction is usually higher than the credit quality of the third party itself.

MOODY'S GOAL IS THAT TWO SECURITIES WITH THE SAME RATING HAVE THE SAME EXPECTED CHANGE IN INTERNAL RATE OF RETURN AS A RESULT OF CREDIT LOSSES.

Example: Citicorp (Baa2); Citicorp pass-throughs (A2)

A prime example of the analysis discussed in the previous section is Moody's rating action, which affected Citicorp mortgage pass-throughs, in response to the downgrade of Citicorp's senior debt rating to Baa2 from A3 on January 25, 1991. On the same day, Moody's downgraded 48 mortgage-backed securities (totaling $3 billion) issued before March 1990, whose sole form of credit support was a Citicorp corporate guarantee. The guarantee amount typically ranged from 6 percent to 10 percent of the original balance.

Although Citicorp's rating was dropped 2 rating notches, the rating for most of the pass-throughs was lowered only one notch, to A2 from A1. The rating of the mortgage pass-throughs was three rating notches above the rating of the entity supplying credit support. (Four pass-through ratings were lowered to A3.)

In analyzing the rating of the pass-throughs, Moody's examined the cash flows to the security under both Citicorp default and no-default scenarios and assigned probabilities to each. The correlation between the mortgages underlying the pass-through and the performance of Citicorp was also examined. The conclusion was that the underlying strength of the unsupported mortgage collateral raised the rating well above the rating of the third-party guarantee.

Example: FBS pass-throughs maintain Aaa ratings

On August 13, 1990, Moody's downgraded the long-term rating of Dai-Ichi Kangyo Bank (DKB) of Tokyo from Aaa to Aa1 because of profitability and asset quality concerns. DKB provided a letter of credit (LOC) as support for two transactions issued in 1986 by FBS Mortgage Corporation, St. Paul, Minnesota.

The FBS pass-throughs consisted of 15-year mortgage collateral, with total delinquencies of less than 1 percent and no losses. More than one-third of each pool had paid off in the four years following the date of issuance, with no reduction of the initial level of credit support. Based on the strength of the mortgages in the pools, along with the Aa1 rating of the letter-of-credit provider, Moody's confirmed the ratings of the two FBS pass-throughs at Aaa.

Strengthening programs

One characteristic of the private MBS market that differs from the traditional corporate bond markets is that an issuer of an MBS will often attempt to strengthen a security or a program in order to maintain a certain rating or to attain a better rating for future transactions. This action is usually taken in response to a downgrade of a third party, which threatens the original rating of an existing pass-through.

As an example of protecting a program, in April 1990, Citicorp Mortgage Securities began to issue mortgage securities with credit support in the form of a combination of a subordinated class, a buildup of a spread account from excess interest and a 1 percent guarantee from Citicorp, which was in a first-loss position. In some later structures, cash was substituted for the 1 percent guarantee. This structure was formulated in response to both a changing regulatory environment and a downgrade of Citicorp in early 1990. Moody's determined that the new structure was consistent with the Aa3 and Aaa ratings sought by Citicorp Mortgage Securities.

Indeed, after the second downgrade of Citicorp a year later, the ratings of all pass-throughs using the new structure (20 transactions) were confirmed at the original rating levels. Citicorp had successfully transformed its program into one that was less vulnerable to third-party downgrade risk.

Another example of the ability of issuers to compensate for the downgrade of a third-party credit support provider was the response by several issuers of pass-throughs and collateralized mortgage obligations (CMOs) following the downgrade of Cypress, California-based Security Pacific National Bank in December 1990. Security Pacific provided backup advancing, that is, it advanced payments on delinquent loans if the primary advancer defaulted, in several transactions with a low-rated or unrated servicer. In some cases, a provision was added that stated if the short-term rating of Security Pacific was lowered below Prime-1 (Moody's highest short-term rating), the issuer would within 30 days place an amount of cash in an account to be used for advancing. The amount of cash was determined by examining the delinquency history of the transaction.

Five transactions issued by Western Federal Savings and Loan, Marina Del Ray, California, in 1990 also maintained Aa2 ratings following the Security Pacific downgrade by adding a provision stating that GEMICO, a Aaa-rated entity, would provide backup advancing. The Western Federal pass-throughs used GEMICO pool policies as credit support.

One option available to an issuer to maintain a rating is to replace a credit-support provider that has been downgraded with a higher-rated entity. This occurred last year when Residential Funding Corporation (RFC) of Minneapolis, Minnesota, responded to a downgrade of Tokyo-based Fuji Bank, Ltd., from Aaa to Aa1, which provided a letter of credit on a transaction issued earlier in the year. RFC substitut-

ed a letter of credit from the Aaa-rated Industrial Bank of Japan, Ltd., of Tokyo in order to maintain the Aaa rating on its pass-through.

Finally, two pass-throughs issued by Glendale Federal Bank, Glendale, California, in 1990 are examples of transactions initially structured to avoid third-party downgrade risk. The Glendale Federal securities use a Security Pacific National Bank letter of credit as credit support. In order to protect against the "event risk" of a Security Pacific downgrade, a provision was added to the original documents stating that if Security Pacific were to be downgraded below Aa3, the letter of credit would be drawn upon and placed in an eligible investment account. When Security Pacific was, in fact, downgraded in December, the LOC was drawn down, and the pass-throughs remained rated at Aa2 without any changes made to the transaction.

Private MBS credit ratings: how volatile?

While it is true that many pass-through transactions are protected from certain kinds of third-party risk, private-label mortgage-backed securities are by no means "downgrade proof." In 1990, Moody's downgraded the ratings on 56 mortgage pass-throughs, which represented about 10 percent of outstanding private mortgage pass-through ratings. As of the end of March, 48 pass-through ratings had been downgraded in 1991. Two questions arise. First, how does this compare with changes in Moody's more traditional ratings of corporate bonds? Second, are private MBS ratings more, or less, volatile than other ratings?

The answers can be found in the results of a new study completed by Moody's Investors Service in February 1991, titled "Changes in Corporate Credit Quality 1970-1990." The study examines historical changes in the credit ratings of more than 4,000 rated U.S. and international debt issuers (industrial and utility companies, financial institutions, sovereign issuers and structured finance issuers) from 1970 through 1990. The study also analyzed trends in the direction and stability of the credit quality of rated issuers in the past 21 years.

One of the findings was that on average during the 1980s, approximately 12 percent of rated issuers ended the calendar year in a different long-term letter-rating category than at the beginning of the year. In 1990, the number of issuers with a rating change was also 12 percent. Table 1 summarizes the rating changes, by refined rating category, from 1983 through 1990.

For the double-A and triple-A rating categories, the ratings for most mortgage pass-throughs, an average of between 8 percent and 16 percent of ratings, were downgraded each year. A much smaller number, between 2 percent and 5 percent, were upgraded on average each year. The downgrade number for private mortgage pass-throughs in the past year, about 10 percent, is generally in line with the figures for all Moody's ratings.

The number of upgrades in the pass-through sector has thus far been below the average found for all Moody's ratings for 1990. One private MBS was upgraded in 1990, and four transactions were upgraded in 1989. Although the number of upgrades of private mortgage securities has been below the average for all Moody's ratings, the private MBS market is relatively new, with large volumes of transactions brought to market only in the last five years. A more statistically significant comparison of upgrades and downgrades of private mortgage-backed securities with other Moody's ratings can be made in the future as the number of transactions grows and as a longer rating history becomes known.

TABLE 1

Yearly Long-Term Rating Changes By Refined Rating Category, 1983 - 1990

(As a Percent of Amount in Category at Beginning of Year)

	Downgrades	Upgrades
Aaa	7.9	N/A
Aa1	10.1	2.3
Aa2	16.1	5.0
Aa3	14.1	4.1
A1	11.9	6.5
A2	13.0	7.6
A3	15.1	12.1
Baa1	16.1	12.4
Baa2	15.8	15.0
Baa3	17.6	14.0

N/A = not applicable

Source: Moody's Investors Service, February, 1991

Most MBS well protected

Moody's continually monitors the private mortgage-backed securities it has rated for possible upgrades or downgrades. With a few exceptions, credit support for private mortgage securities is a large multiple of expected losses on the underlying mortgage collateral. In aggregate, as of year-end 1990, pass-throughs rated by Moody's had lost about 1 basis point (.01 percent) of original balances. The aggregate remaining credit support for these pools was more than 10 percent of the remaining balances.

WHILE IT IS TRUE THAT MANY PASS-THROUGH TRANSACTIONS ARE PROTECTED FROM CERTAIN KINDS OF THIRD-PARTY RISK, PRIVATE- LABEL MORTGAGE-BACKED SECURITIES ARE BY NO MEANS "DOWNGRADE PROOF."

Since most pass-throughs appear adequately protected against a deterioration in mortgage quality, the major remaining concern is over a decline in the credit quality of the institutions providing various forms of credit support. Currently, very few pass-throughs appear to be threatened by the turmoil in the financial services industry. In many cases, the response of issuers to downgrades of institutions providing credit support has been either to replace the downgraded institution or to strengthen the structure of the transaction to maintain credit quality. In addition, the fundamental credit quality of the underlying residential mortgage collateral has acted as a cushion to protect private mortgage-backed securities from the shock waves emanating from the financial markets. **MB**

Howard Esaki, Ph.D., is a senior analyst and assistant vice president in the Structured Finance Group of Moody's Investors Service, New York.

VITAL STATISTICS

Key Economic Indicators and Interest Rates

	CHANGES IN PAYROLL EMPLOYMENT (THOUSANDS)	UNEMPLOYMENT RATE (%)	CHANGES IN CONSUMER PRICES FROM YEAR AGO LEVELS (%)		MORTGAGE INTEREST RATES (%)		
			ALL ITEMS	ALL ITEMS LESS FOOD AND ENERGY	SECONDARY MARKET YIELD ON FHA NEW HOME MORTGAGES[1]	FHLMC ARMs	FHLMC FRMs
MAR-90	164	5.3	5.2	4.9	10.26	8.53	10.27
APR-90	55	5.4	4.7	4.8	10.53	8.55	10.37
MAY-90	440	5.3	4.4	4.8	10.49	8.59	10.48
JUN-90	212	5.3	4.7	4.9	10.21	8.49	10.16
JUL-90	−89	5.5	4.8	5.0	10.15	8.43	10.04
AUG-90	−127	5.6	5.6	5.5	10.20	8.35	10.10
SEP-90	−1	5.7	6.2	5.5	10.26	8.28	10.18
OCT-90	−180	5.7	6.3	5.3	10.24	8.21	10.18
NOV-90	−267	5.9	6.3	5.3	10.02	8.10	10.01
DEC-90	−161	6.1	6.1	5.2	9.74	7.93	9.67
JAN-91	−233	6.2	5.7	5.6	9.62	7.74	9.64
FEB-91	−184	6.5	5.3	5.6	9.58	7.65	9.37
MAR-91	NA	NA	NA	NA	NA	7.47	9.50

Rates on Selected Securities (%)

	FEDERAL FUNDS RATE	PRIME COMMERCIAL PAPER (3-Month)	U.S. GOVERNMENT				A-Rated Utility
			6-Month	1-Year	3-Year	10-Year	
MAR-90	8.28	8.28	7.85	8.35	8.63	8.59	9.92
APR-90	8.26	8.30	7.84	8.40	8.78	8.79	10.09
MAY-90	8.18	8.25	7.76	8.32	8.69	8.76	10.04
JUN-90	8.29	8.14	7.63	8.10	8.40	8.48	9.85
JUL-90	8.15	7.99	7.52	7.94	8.26	8.47	9.96
AUG-90	8.13	7.88	7.38	7.78	8.22	8.75	10.29
SEP-90	8.20	7.96	7.32	7.76	8.27	8.89	10.28
OCT-90	8.11	7.98	7.16	7.55	8.07	8.72	10.23
NOV-90	7.81	7.91	7.03	7.31	7.74	8.39	10.07
DEC-90	7.31	7.80	6.70	7.05	7.47	8.08	9.95
JAN-91	6.91	7.10	6.28	6.64	7.38	8.09	9.83
FEB-91	6.25	6.49	5.93	6.27	7.08	7.85	9.54
MAR-91	6.12	6.41	5.92	6.40	7.35	8.11	9.58

CURRENT SECONDARY MARKET YIELDS (%)

	GNMA[2]	FNMA[2]	FHLMC[2]	SPREADS (Basis Points) GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
MAR-90	9.87	9.85	9.84	128	126	125
APR-90	10.01	9.94	9.94	122	115	115
MAY-90	9.99	9.93	9.92	123	117	116
JUN-90	9.73	9.73	9.72	125	125	124
JUL-90	9.66	9.66	9.66	119	119	119
AUG-90	9.80	9.75	9.75	105	100	100
SEP-90	9.86	9.79	9.73	97	90	84
OCT-90	9.84	9.80	9.69	112	108	97
NOV-90	9.63	9.66	9.54	124	127	115
DEC-90	9.22	9.27	9.16	114	119	108
JAN-91	9.17	9.24	9.12	108	115	103
FEB-91	8.81	8.86	8.77	96	101	92
MAR-91	9.00	9.03	8.93	89	92	82

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Type of Unit
(Millions of Dollars)

	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
	Total[3]	Mortgage Bankers	Savings & Loans[4]	Commercial Banks	Life Companies	Total[3]	Mortgage Bankers	Savings & Loans[4]	Commercial Banks	Life Companies	Total[3]	Mortgage Bankers	Savings & Loans[4]	Commercial Banks	Life Companies
MAR-90	35,273	8,703	12,700	13,460	29	2,970	557	1,113	1,014	61	19,167	102	804	15,172	2,978
APR-90	35,407	7,543	12,400	15,122	28	1,973	145	935	698	50	18,984	100	621	14,786	3,048
MAY-90	37,255	9,420	13,183	14,231	27	2,453	297	1,061	874	39	15,412	110	640	10,905	2,657
JUN-90	38,428	9,714	13,209	15,063	29	2,778	209	989	682	182	16,411	105	666	12,303	3,097
JUL-90	35,524	9,627	12,020	13,461	30	2,082	165	871	696	209	16,222	98	476	12,525	2,984
AUG-90	36,654	11,236	12,940	12,032	34	2,556	80	950	1,243	92	18,967	107	650	14,783	2,994
SEP-90	30,117	5,732	10,617	13,347	36	1,961	131	855	608	112	20,231	102	577	16,100	3,343
OCT-90	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
MAR-90	1,298	1,023	275	1,232	969	263	138	276	520	364	145	249	453	385
APR-90	1,217	952	265	1,108	870	238	124	283	467	343	120	238	423	327
MAY-90	1,208	935	273	1,065	853	212	128	255	486	339	124	218	410	313
JUN-90	1,187	931	256	1,108	844	264	114	241	532	300	121	224	428	335
JUL-90	1,155	907	248	1,082	838	244	115	226	492	322	111	227	428	316
AUG-90	1,131	865	266	1,050	818	232	122	240	434	335	112	225	402	311
SEP-90	1,106	893	213	992	786	206	104	239	445	318	104	221	386	281
OCT-90	1,026	861	165	920	751	169	144	230	392	260	113	200	354	253
NOV-90	1,130	823	307	906	713	193	147	232	483	268	105	195	367	239
DEC-90	971	768	203	844	688	156	110	233	395	233	100	178	337	229
JAN-91	850	680	170	797	647	150	87	167	356	240	96	182	309	210
FEB-91	989	820	169	865	736	129	92	296	384	217	96	201	346	222
MAR-91	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

HOME SALES

(Units and Prices in Thousands)

	EXISTING HOMES		NEW HOMES		
	Sold (SAAR)	Median Sales Price (Dollars)	Sold (SAAR)	Median Sales Price (Dollars)	Months Supply At Current Sales Rate
MAR-90	3,440	96.3	559	119.4	7.7
APR-90	3,370	95.7	534	130.0	8.3
MAY-90	3,350	95.2	535	125.0	8.2
JUN-90	3,370	98.9	549	125.0	7.9
JUL-90	3,320	98.1	541	118.7	8.0
AUG-90	3,410	97.2	525	118.4	8.1
SEP-90	3,160	94.4	504	113.0	8.4
OCT-90	3,070	92.9	465	120.0	8.7
NOV-90	3,150	92.0	480	118.9	8.2
DEC-90	3,130	91.7	460	127.0	8.5
JAN-91	2,900	95.6	402	120.0	9.4
FEB-91	3,130	94.8	467	127.5	8.5
MAR-91	NA	NA	NA	NA	NA

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1987 Dollars, Seasonally Adjusted Annual Rates)

	Total[5]	1-Unit	2+ Units	Nonresidential
MAR-90	316.3	114.3	18.2	95.6
APR-90	308.9	109.3	18.6	94.6
MAY-90	303.9	105.7	19.1	93.5
JUN-90	299.1	101.8	17.0	95.4
JUL-90	298.5	99.9	16.9	98.4
AUG-90	290.5	97.6	16.9	93.2
SEP-90	286.1	95.1	16.7	91.9
OCT-90	279.3	93.5	17.0	89.2
NOV-90	272.4	90.6	16.0	86.8
DEC-90	267.0	87.7	16.6	86.7
JAN-91	264.1	82.6	15.7	86.5
FEB-91	257.7	80.0	14.8	85.9
MAR-91	NA	NA	NA	NA

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

[1]Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

[2]Securities for 0- to 30-day delivery.

[3]In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, federal credit agencies, mortgage pools, and state and local investment agencies.

[4]Savings & Loans and Mutual Savings Banks.

[5]In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.